

CAPITAL PLANNING OVERVIEW

BASIC STEPS IN CREATING A SIMPLIFIED PLANNING DOCUMENT FOR CITIES

A crucial portion of any effective city budget and financial control system is the preparation of a capital planning document. City officials are generally aware of the upcoming capital needs, but in many cases projects are only put into writing in the year in which they are actually funded. The steps listed below along with the attached forms will help your community get a better handle the needs of the city, whether it's replacing existing items or anticipating and prioritizing new capital spending.

1. Take stock of what you have. This may seem to be a customary step, but many communities fail to translate an inventory of municipal fixed assets into a coherent and fundable replacement schedule. Many times the 'squeaky wheel gets the grease' syndrome prevails, and crucial assets are only replaced or upgraded when a near emergency arises. Begin by listing every known municipal asset by land, buildings, equipment, and vehicles. Consult with staff, your auditor, vendors, or consultants to determine the useful life of each asset. Once this listing has been performed, list on the plan those items needing upgrades or replacements over the next six years, unless a service or program will be ended. Don't forget to inventory and assess sometimes hidden fixed assets such as drainage systems, sidewalks, curbs, and bridges.
2. Begin building your CIP document with known projects and priorities of the elected body. Normally these items have already been discussed and/or initiated by the elected officials.
3. Prepare a form (similar to attachments # 1 and # 3) and forward this to your departmental staff. At the outset of CIP planning, it is important that every item on the city's wish list be included and considered, no matter how relevant to actual finances. Since staff may submit a large number of capital items, it is good to have them internally rank their projects with the submission.
4. Larger communities may utilize an internal CIP review committee to assess the many needs and rank their priorities. The city clerk/treasurer or finance staff can provide a range of funding that will be available for capital items and debt service for several years. A CIP review committee can be very helpful when the elected body sits down to weigh projects and other budgetary needs.
5. A good rule of thumb would be to match the yearly project list to anticipated city revenues. Capital items either not determined a priority or that cannot be funded under the current list can be placed on an "unmet needs" list, also called an unfunded long range plan.
6. The Capital Planning Document should be attached to the annual budget and made available to staff, elected officials, and the public for review. (Attachment # 5 can be utilized to list your approved capital purchases) Ideally, the CIP projects should fit well with the city council goals and the core services of the organization.